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# 中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

*(a joint stock Company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2328)**

## **CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION RENEWAL OF THE SOUTH CENTRE PACKAGE SERVICE AGREEMENT WITH PICC GROUP**

Reference is made to the announcement of the Company dated 31 December 2021, in relation to the Original South Centre Package Service Agreement entered into between the Company and PICC Group on 31 December 2021. The Original South Centre Package Service Agreement will expire on 31 December 2022. On 30 December 2022, the Company renewed the South Centre Package Service Agreement with PICC Group. Pursuant to the Agreement, PICC Group shall provide the Company with (i) Lease Service of the office space, conference rooms and server seats of the computer room building of the South Centre, and (ii) Other Services, including network services, operation and maintenance services of the Midea computer room of the South Centre, etc. The Company shall pay PICC Group (i) Lease Service fees and (ii) Other Services fees.

Pursuant to the Hong Kong Financial Report Standards No.16 – Lease, the Company shall recognize the right of use of property of the South Centre under the Agreement as a right-of-use asset. Pursuant to the relevant provisions of the Listing Rules, (i) Lease Service under the Agreement is deemed to be asset acquisitions by the Company and constitutes a connected transaction of the Company, and (ii) Other Services under the Agreement constitute a continuing connected transaction of the Company. As the highest applicable percentage ratio for the aggregate amount of (i) the value of the right-of-use asset of Lease Service under the Agreement and (ii) the annual cap of Other Services fees under the Agreement exceeds 0.1% but is less than 5%, the transaction is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2021, in relation to the Original South Centre Package Service Agreement entered into between the Company and PICC Group on 31 December 2021. The Original South Centre Package Service Agreement will expire on 31 December 2022. On 30 December 2022, the Company renewed the South Centre Package Service Agreement with PICC Group, commencing from 1 January 2023 and expiring on 31 December 2023, PICC Group shall provide the Company with (i) Lease Service of the office space, conference rooms and server seats of the computer room building of the South Centre, and (ii) Other Services, including network services, operation

and maintenance services of the Midea computer room of the South Centre, etc. The Company shall pay PICC Group (i) Lease Service fees and (ii) Other Services fees.

## **SOUTH CENTRE PACKAGE SERVICE AGREEMENT**

### **1. Date of signing**

30 December 2022

### **2. Parties**

- (1) the Company
- (2) PICC Group

### **3. Term**

Commencing from 1 January 2023 and expiring on 31 December 2023.

### **4. Cooperative matters**

#### **(1) Lease Service**

PICC Group shall provide the Company with lease service of the office space, conference rooms and server seats of the computer room building of the South Centre.

#### **(2) Other Services**

PICC Group shall provide the Company with other services, including network services, operation and maintenance services of the Midea computer room of the South Centre, etc. Network services consist of basic network services, internet services and extranet services. The operation and maintenance services of the Midea computer room of the South Centre mainly consist of the use of cabinets and office space, bare fiber network services, the operation and maintenance of IT equipment and software and other operation and maintenance services.

### **5. Service fees and payment methods**

#### **(1) Lease Service fees**

The Lease Service fees consist of the rents of office space, conference rooms and server seats in the computer room building, which are calculated according to the actual areas of rented office space, conference room usage, the actual number of rented server seats and the corresponding rental unit price. The Company estimated that the area of the rented office space will be around 28,201 square meters in 2023, and the rental unit price will be around RMB90.74 per square meter per month. The total cost of conference room usage is estimated to be around RMB7,500. The number of rented server seats is estimated to be around 934, and the rental unit price is estimated to be around RMB5,295.43 per seat per month. The above rental unit prices are determined by cost pricing method and with reference to the market unit price standard, which has taken into account the average annual depreciation and amortization amount of buildings, daily operation expenses (including office and workplace epidemic prevention expenses), etc.

Pursuant to the Agreement, the annual cap of Lease Service fees to be paid by the Company to PICC Group in 2023 is estimated to be RMB90.06 million, which will be paid by the Company with internal funds. In accordance with the Hong Kong Financial Report Standards No.16 – Lease, the fixed rental payment is capital in nature, and the Company shall recognize the right of use of the property of the South Centre under the Agreement as a right-of-use asset. The subject matter of Lease Service will be recognized as a right-of-use asset of the Company from the commencement date of the lease, with an amount of around RMB88.66 million. The amount of the right-of-use asset is the present value calculated with the discount rate of 2.93% of the annual cap of Lease Service fees to be paid by the Company to PICC Group in 2023 under the Agreement, the amount will be adjusted according to the actual Lease Service fees

paid by the Company.

## (2) Other Services fees

Other Services fees consist of network service fees and operation and maintenance service fees of Midea computer room of South Centre, etc. These fees are all based on the contracts entered into between PICC Group and third-party suppliers, and calculated by cost pricing method according to the actual share of operation and maintenance services and network services used by the Company.

### *Annual Cap*

The annual cap of Other Services fees paid by the Company to PICC Group for the year ending 31 December 2023 is estimated to be RMB70.76 million.

The Company mainly referred to the historical amount, including two aspects, the operation and maintenance service fees of Midea computer room and network service fees. The operation and maintenance service fees of Midea computer room are estimated on the basis of the actual number of rented cabinets currently in stock, which are lower than the expenses actually paid last year. The network service fees are estimated by a 60% increase of the fees actually paid last year, and the reasons for the increase include increase in business needs, depreciation of the equipment of the South Center and the plan in relation to the replacement of the core network of the South Center and the public network equipment in DMZ area and other areas by the end of 2022 or early 2023. The specific itemised estimations are as follows:

	RMB million
<b>The operation and maintenance service fees of Midea computer room</b>	
Cabinet fees <sup>1</sup>	28.82
Bare fiber network service fees <sup>2</sup>	1.72
IT equipment and software depreciation and amortization fees <sup>3</sup>	27.06
Other operation and maintenance service fees <sup>4</sup>	4.04
<b>Network service fees<sup>5</sup></b>	<u>9.12</u>
<b>Total</b>	<u><u>70.76</u></u>

### *Notes:*

1. The Company will use the cabinets leased by PICC Group from third-parties at the unit price of approximately RMB181.50 per cabinet per day, and the number of usage is estimated to be approximately 158,775;
2. The Company estimated to use five-sixths of the bandwidth of the bare fiber network leased by PICC Group from third-party suppliers, and the amount of the bare fiber network service fees to be accounted for in 2023 was estimated to be approximately RMB1.72 million;
3. IT equipment and software depreciation and amortization fees refer to depreciation and amortization of servers, network switches, firewalls and other equipment, and the amount of the amortization fees to be accounted for in 2023 was estimated to be approximately RMB27.06 million;
4. Other operation and maintenance fees consist of excess electricity fees and computer insurance premiums, etc.;

5. Network service fees consist of wide area network fees and internet fees of approximately RMB5.70 million as well as depreciation, amortization and maintenance service fees of approximately RMB3.42 million;
6. The maximum amounts of fees of specific items mentioned above are estimates, which are adjustable amongst themselves in actual use, given that the total amount doesn't exceed the annual cap.

### ***Historical Amount***

Other services fees paid by the Company to PICC Group for the years ended 31 December 2020, 31 December 2021 and for the period from 1 January 2022 to 30 November 2022 are as follows:

	RMB million
For the year ended 31 December 2020	16
For the year ended 31 December 2021	14
For the period from 1 January 2022 to 30 November 2022 ( <i>Note</i> )	66.94

*Note:* the above figures for the period from 1 January 2022 to 30 November 2022 are extracted from the business system and have not been audited.

### ***Internal Control Measures***

The Company has formulated management regulations and operational guidelines on related party transactions, which set out requirements and rules on the management body, reporting and disclosure, management procedures, monitoring of related party transactions, etc. The Company manages and monitors each related party transaction in accordance with the abovementioned regulations. The Company regularly records and reports on the occurrence and implementation of related party transactions, monitors the implementation of the transactions and earnestly performs its internal control obligations. The Company has established an early warning mechanism for the annual caps of transactions. When the actual transaction amount reaches the early warning line of the set annual cap (i.e. 80% of the annual cap of the transaction amount) during the implementation of the agreement, the relevant functional department will promptly pay close attention to it, reset the annual cap in a timely manner and go through the corresponding procedures. In addition, the Company conducts annual internal special audits for related party transactions and reports the audit results to the Board and the supervisory committee of the Company. The Independent Directors and external auditors of the Company review and give their opinions on the continuing connected transactions on an annual basis.

### **(3) Mode of payment**

Pursuant to the Agreement, the Company shall make a one-off prepayment of Lease Service fees and Other Services fees for the whole year to the PICC Group by 31 March 2023. The PICC Group shall inform the Company of the details of the itemised fees actually apportioned to the Company in the year of 2023 by 31 January 2024. Any remaining balance in the prepayment of the Company shall be carried forward to the next year for its continued use. If the prepayment of the Company is insufficient, the shortfall shall be made up.

## **GENERAL INFORMATION**

### ***Information of the Company***

The Company is a joint stock limited liability company incorporated in the PRC, whose H

shares are listed on the Hong Kong Stock Exchange. The Company is principally engaged in motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, homeowners insurance, marine hull insurance and other insurance business, which are denominated in RMB and foreign currencies, and the related reinsurance business as well as investment and funds application business permitted under the relevant laws and regulations of the PRC. As at the date of this announcement, PICC Group is the controlling shareholder of the Company, holding 68.98% of the total share capital of the Company.

### ***Information of the Group***

PICC Group is a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. PICC Group mainly invests in and holds shares in listed companies, insurance agencies and other financial institutions, supervises and manages various domestic and international businesses of its invested companies and policy-oriented insurance businesses authorised or entrusted by the government, etc. As at the date of this announcement, the Ministry of Finance is the controlling shareholder of PICC Group, holding 60.84% of the total share capital of PICC Group.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The South Centre and Midea Computer Room of the South Centre are owned or comprehensively managed by PICC Group, which can effectively protect the information security of the Company, facilitate the cooperation between the Company and other subsidiaries of PICC Group in operation and maintenance management, further exert the strategic synergy of PICC Group, reduce redundant construction and usage costs, and make the operation and maintenance work more efficient and the management stricter.

The Board, including the independent non-executive Directors, is of the view that the transactions under the Agreement will be conducted on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of the Agreement and the annual cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

PICC Group is the controlling shareholder of the Company. According to the Listing Rules, PICC Group is a connected person to the Company. Pursuant to the relevant provisions of the Listing Rules, (i) Lease Service under the Agreement is deemed to be asset acquisitions by the Company and constitutes a connected transaction of the Company, and (ii) Other Services under the Agreement constitute a continuing connected transaction of the Company. As among the Directors of the Company, Mr. Luo Xi and Mr. Yu Ze hold positions in PICC Group, and Mr. Li Tao holds a position in PICC Life, a subsidiary of PICC Group, they both abstained from voting on the board resolution for considering and approving the Agreement. Save as disclosed above, no other Directors were required to abstain from voting on the board resolution for considering and approving the Agreement or are regarded as having a material interest in the Agreement.

As the highest applicable percentage ratio for the aggregate amount of (i) the value of the right-

of-use assets of Lease Service under the Agreement and (ii) the annual cap of Other Services fees under the Agreement exceeds 0.1% but is less than 5%, the transaction is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement” or “South Centre Package Service Agreement”	The South Centre of the PICC Group Data Centre Package Service Agreement entered into between the Company and PICC Group on 30 December 2022
“Board”	The board of directors of the Company
“Company”	PICC Property and Casualty Co. Ltd
“connected person”	has the meaning as defined in the Listing Rules
“Directors”	directors of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Lease Service”	Pursuant to the Agreement, PICC Group shall provide the Company with lease service of the office space, conference rooms and server seats of the computer room building of the South Centre
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Midea Computer Room of the South Centre”	The computer room of Midea Digital Port Science and Technology Data Centre leased and comprehensively managed by PICC Group, located at No.7 Nanliu Road, Guicheng, Nanhai District, Foshan City, Guangdong Province
“Original South Centre Package Service Agreement”	The South Centre of the PICC Group Data Centre Package Service Agreement entered into between the Company and PICC Group on 31 December 2021
“Other Services”	Pursuant to the Agreement, PICC Group shall provide the Company with network services and operation and maintenance services of the Midea computer room of the South Centre, etc.
“PICC Group”	The People’s Insurance Company (Group) of China Limited

“PICC Life”	PICC Life Insurance Company Limited, a joint stock limited liability company incorporated in the PRC, approximately 80.0% of whose issued share capital is directly and indirectly held by PICC Group, the controlling shareholder of the Company, among which approximately 8.62% of its issued share capital is held by the Company
“PRC”	People's Republic of China
“South Centre”	The South Centre of the data centre of PICC Group, located at No.16 East Denghu Road, Guicheng, Nanhai District, Foshan City, Guangdong Province
“Transaction”	Pursuant to the Agreement, PICC Group shall provide the Company with (i) Lease Service of the office space, conference rooms and server seats of the computer room building of the South Centre, and (ii) Other Services, including network services, operation and maintenance services of the Midea computer room of the South Centre, etc. The Company shall pay (i) Lease Service fees and (ii) Other Services fees to PICC Group
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board  
**PICC Property and Casualty Company Limited**  
**Jiang Caishi**  
*Executive Director*

Beijing, the PRC, 30 December 2022

*As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (Non-executive Director), the Executive Directors are Mr. Yu Ze, Mr. Jiang Caishi and Mr. Zhang Daoming, Mr. Li Tao is a Non-executive Director, and the Independent Directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Ms. Qu Xiaohui and Mr. Cheng Fengchao.*